

ECONOMIC CONDITION AND OUTLOOK

For the better part of a decade, Delaware has enjoyed a healthy expansion throughout most sectors of its economy. Its economy continues to outperform its neighboring states in the mid-Atlantic region (Maryland, New Jersey and Pennsylvania) and the rest of the nation. Delaware's economic strength can be largely attributed to its continuing efforts to diversify its economic base. Once regarded primarily as a manufacturing state with high concentrations of employment in chemicals and automobile manufacturing, Delaware has expanded its base to include strong FIRE (finance, insurance and real estate) and services sectors. Manufacturing and FIRE sectors now account for roughly the same proportion of Delaware jobs (14.5% and 12%, respectively). This fundamental shift in its economic base enabled the State to weather the recession of the early 1990's with limited impact, and is expected to diminish Delaware's vulnerability to future cyclical downturns.

Delaware also is aggressively promoting its developing high technology industry, including life sciences research and development, pharmaceuticals, agricultural biotechnology, human biotechnology and information technology. According to a recent study by the American Electronics Association, Delaware ranked fourth nationally in high tech job growth (58.1%) for the period 1990 to 1995. Delaware has the highest per capita industry research and development expenditures in the nation. According to Regional Finance Associates, Inc. (May 1998), the relationship between state research and development spending and state productivity growth is strong.

Historically associated with a strong employment and income base, population growth is one of the most important indicators of the strength of a sub-national economy. Delaware experienced above-average population growth through the 1990's, outperforming both the mid-Atlantic region and the nation. Between 1998 and 1999, Delaware's population increased by 1.3% to an estimated 753,500 inhabitants, exceeding the 0.3% growth rate for the mid-Atlantic region and the 0.9% growth rate for the nation. As in past years, net in-migration continues to account for a significant share of Delaware's population growth. Delaware's robust economy and low unemployment rates also continue to attract a large number of out-of-state workers.

Delaware's personal income, a widely used measure of residents' economic well being, grew 5.4% in 1999 to \$23.2 billion. This growth rate exceeded the 5.0% growth for the mid-Atlantic and equaled the 5.4% national growth rate. In 1999, Delaware's per capita personal income was \$30,778, the 11th highest in the nation. Employment in Delaware increased at an annual rate of 2.8% in 1999, compared with 1.8% for the mid-Atlantic region and 2.3% for the U.S. The State's unemployment rate was 3.5% for 1999, lower than the 4.2% rate for the mid-Atlantic region and 4.2% for the nation.

A Diversified Economy

Delaware's manufacturing employment base remains an important sector of the State's economy, accounting for 14.5% of the State's nonagricultural employment in 1999, roughly equal to the U.S. percentage. The State is home to two automobile assembly plants — DaimlerChrysler and General Motors. Since September 1997, DaimlerChrysler has been producing the very popular Dodge Durango sport utility vehicle at its 3.4 million square foot Newark, Delaware assembly plant. Since January 1999, General Motors has produced the mid-sized Saturn L-Series at its Newport, Delaware assembly plant.

The importance of the chemical industry to Delaware's economy stems largely from the fact that two large companies — E.I. du Pont de Nemours & Co., Inc. and AstraZeneca International maintain their global and U.S. headquarters, respectively, in the State. DuPont is the State's largest private employer, whose primary industry segments include chemicals, fibers, polymers, and diversified businesses, including agricultural and medical products. DuPont officials expect its expansion into the life sciences businesses to be the primary focus of its future growth. On September 27, 2000, AstraZeneca, one of the top five pharmaceutical companies in the world, marked the official groundbreaking of its new U.S. business center in Wilmington, Delaware. The first phase of project construction is expected to be completed by 2002 and will accommodate 4,000 employees. As additional phases are completed, the site could house over 6,000 employees. By 2007, AstraZeneca is expected to have increased its Delaware workforce by as many as 3,300 jobs. Most of the 22,000 employees in Delaware's chemical industry are engaged in corporate

management, finance, research, engineering, and related activities in support of the firms' worldwide operations.

Banks and other financial institutions have been a major focus of Delaware's economic development activity since 1981, when landmark legislation opened the State to interstate banking, modernized the State's banking laws, and permitted creation of new types of special-purpose intermediaries. Approximately 70 institutions are involved in banking in Delaware, employing nearly 32,900. Credit cards have become a major industry in the State. Prominent credit card issuers in Delaware include MBNA America Bank, N.A., First USA Bank, Chase Manhattan Bank USA, N.A., and Greenwood Trust Company.

Agriculture also constitutes an important segment of Delaware's economy, with more than 46% of Delaware's land area used for farming. In 1999, Delaware farmers earned an estimated \$718.8 million in cash receipts from all commodities, a decrease of 7.0% from the prior year. Soybeans and corn are the major field crops. Delaware ranks ninth in the production of broiler chickens—and Sussex County produces more broilers than any other county in the nation. Cash receipts from broilers represent over 70% of all farm cash receipts.

A Corporate Home

The State is widely known as a corporate home because of its well-developed body of case law from Delaware Courts, prompt resolution of corporate litigation by the Court of Chancery, and Delaware's reputation as a financial center. In 1999, over 305,000 domestic corporations were registered. Since 1989, Delaware has ranked within the top five states with the greatest number of new incorporations. The State is the corporate home of nearly half of the companies listed on the New York Stock Exchange and is the legal domicile of more than 50% of the companies listed in the "Fortune 500." Delaware has also become a leader in the formation of alternative types of business entities. Limited liability companies, for example, increased by 30.3% in calendar year 1999. Filings for business trusts and limited partnerships have experienced similar growth.